



PUBLIC MEETING

Utah Committee of Consumer Services

Utah Department of Commerce
January 29, 2009



Welcome & Business



Public Comment



2009 Legislation

Michele Beck



2009 Legislation

Overview

- To date, 15 bills and bill requests that relate to issues relevant to the Committee
- In addition, other bills are rumored
- Many of these require no action from the Committee
- Others warrant varying levels of response



2009 Legislation

Framework

- The Committee must consider both its workload and legislative priorities
- Our voice will be more respected if we “choose our battles”
 - Recognize limited political capital
- Where possible, we focus on working behind the scenes with key parties to work out our concerns



2009 Legislation

Discussion of Legislation Matrix



Rocky Mountain Power New Large Resource Acquisition: Lake Side 2 Analysis

Cheryl Murray



Lake Side 2 Analysis

Resource Description

- 607 MW combined cycle combustion turbine
- Located on Lake Side site (former Geneva Steel site)
- Anticipated online date: July 2012



Lake Side 2 Analysis

CCS Analysis of Resource Selection

- Our consultant, Phil Hayet, has found no “red flags” regarding the Lake Side 2 resource
- Lake Side 2 does appear to be the “least cost” resource coming out of RFP 2012
 - However, it is a high cost resource
- The RFP process relies heavily on the Independent Evaluator, so did we
 - Both IEs (OR and UT) found this to be the least cost resource from the 2012 RFP
 - OR IE found (a) price of winning bid is consistent with current market condition and (b) current system forecasts show the need for capacity remains. Cautions that he does not provide a complete, precise analysis.



Lake Side 2 Analysis

CCS Conflicting Considerations

- Concern that we may be buying at the “top of the market”
- Concern about contractual terms that impose too much risk on the consumers
- Seems unlikely that the resource can actually be complete by July 2012
 - Again leaves customers at risk from over reliance on the market
 - Cost of supply and availability of supply
- These concerns must be balanced against the recognition of PacifiCorp’s significant resource deficits in 2012 and beyond



Lake Side 2 Analysis

Additional Considerations

- We expect the recently received bids from the 2008 RFP to help inform the process
 - Providing type, cost and on-line dates of potential future resources
- RMP hopes to incorporate early results of 2008 RFP in its February 12 rebuttal testimony and present more information at the February 19 Lake Side 2 hearing
- Does not provide adequate time for parties to analyze results



Questar Rate Case: Requests for Reconsideration

Eric Orton



Questar Rate Case Reconsideration

Questar's Request for Reconsideration

- An \$11.2M disparity between Commission awarded rates and rates collected from the rate design Order
- The removal of Wexpro gas from NGV rates.
- The implementation of NGV rates in two steps
 - No opposition to the first step halfway to cost of service
 - Objection to the second step all the way to cost of service



Questar Rate Case Reconsideration

The Numbers Behind Questar's Request

- \$11 M difference between the two Commission orders
 - Questar was awarded a revenue of \$245M
 - Only \$233M was awarded based on the rates the Commission ordered
- The Commission knows that the Company can collect that money through the CET mechanism. The Company wants the other route.



Questar Rate Case Reconsideration

NGV / Wexpro and Timing

- Questar contends:
 - Wexpro is a gas supply issue and may be more properly addressed in the 191 – Pass-Through filings, not in rate cases.
 - Changing rates now and again in July is problematic.
 - Moving all the way to cost of service for NGV may not be consistent with Governor's policy



Questar Rate Case Reconsideration

Roger Ball's Request for Reconsideration

- The elimination of the GSS and EAC rates.



Questar Rate Case Reconsideration

CCS Positions

- CCS is analyzing the validity of Questar's assertions regarding the numbers
- We took no position regarding the use of Wexpro gas
 - CCS anticipated Wexpro issue would be examined in the upcoming NGV docket.
- We support taking the NGV rate to full cost of service eventually.
- We took no position regarding eliminating the GSS/EAC rates.



Rocky Mountain Power 2008 Rate Case

Cheryl Murray



RMP Rate Case

Cost of Capital - ROE

- Last RMP rate case positions of parties
 - RMP 10.75%
 - DPU 10.1%
 - CCS 9.85%
 - PSC Ordered 10.25%



RMP Rate Case

Cost of Capital – Current Case

DESCRIPTION	RMP		DPU		CCS	
	Structure	Cost	Structure	Cost	Structure	Cost
Long-Term Debt	48.2%	6.23%	48.81%	6.07%	48.2%	6.08%
Preferred Stock	.03%	5.41%	0.37%	5.41%	.03%	5.41%
Common Equity	51.5%	11%	50.82%	10.75%	51.5%	10%



RMP Rate Case

Revenue Requirement – Summary

- Larkin & Associates have been retained as CCS consultants
- Randall Falkenberg and Phil Hayet will again be our Net Power Cost consultants for this case
- The Test Year order required the Company to refile the case on December 6
- Short time to complete analysis and file testimony, which is due February 12, 2009



RMP Rate Case

Revenue Requirement - NPC

- Most CCS adjustments are likely to be in the Net Power Cost area
- Areas of examination:
 - Issues where Company has not complied with PSC orders in last rate case
 - Issues where the Company presents arguments or new evidence to change what the PSC ordered
 - Issues that the PSC indicated in their last Order weren't addressed to their satisfaction
 - New issues



RMP Rate Case

Revenue Requirement – Rate Base

- Focus will be more on rate base issues than expenses
 - The Company made typical expense adjustments from base year to test year (escalation, wage increases, normalization adjustments, etc.) then reduced the result by \$50.6M
 - Rate Base – Utilities investment in plant on which it earns a return
- We are also looking at advertising expense
 - Rate payers should only pay for advertising that provides benefits such as safety messages
 - Certain types of advertising such as Blue Sky and energy efficiency are charged to specific funds



Closed Session



Open Session



Other Business/Adjourn
